



# Single Touch Payroll – new obligations for reporting tax and superannuation information to the ATO

**DATE:** 22 May 2019

**ATTENTION:** Treasurers and Wardens

**SDS CONTACT:** **Martin Thearle, Manager, Diocesan Finance** | 9265 1682 |  
mrt@sydney.anglican.asn.au

## KEY POINTS:

1. Single Touch Payroll (STP) is a new way of reporting tax and super information to the Australian Taxation Office (ATO).
2. STP does not change the information required to be reported to the ATO, merely the timing and manner for making reports.
3. Under STP, tax and super information is sent to the ATO each time you run your payroll and pay your staff.
4. You must commence reporting through STP between 1 July and 30 September 2019, unless you apply for a deferred start time.\*

\* Note that STP reporting obligations for parishes that have more than 20 employees (including clergy) commenced on 1 July 2018.

## ACTION:

1. All parishes will need to choose and implement one of the following three STP solutions, either -
  - a. use STP-ready payroll or accounting software,
  - b. use one of the free or low cost STP solutions (only an option if you have 4 or less employees (including clergy), or
  - c. use a registered tax agent or payroll service provider to report using an STP-ready solution.

## BACKGROUND

### A. INFORMATION TO BE REPORTED THROUGH STP

#### What information needs to be reported through STP?

You must report the following in relation to each employee for the relevant pay period:

- The amount of income tax withheld (PAYG).
- The gross salary or wages, allowances or other payments that are subject to withholding.
- The superannuation liability and/or ordinary time earnings (OTE) for superannuation guarantee purposes.

Although not mandatory, STP can also be used to report Reportable Employer Superannuation Contributions and Reportable Fringe Benefits Amounts by 14 July following the relevant financial year. If you do so for the whole of the financial year you will not be required to give payment summaries to employees and provide a payment summary annual report to the ATO covering these amounts.

#### Are there differences in reporting amounts through STP in respect to clergy?

Yes there are.

The reporting of income tax withheld and the salary or wages etc that are subject to that withhold is the same. That is because the tax legislation contains specific provisions to treat payments made to religious practitioners for activities done in the pursuit of their vocation as a religious practitioner in the same manner as payments to employees.

However, no amounts should be reported for clergy in relation to superannuation. Parish clergy are not employees for the purposes of the *Superannuation Guarantee (Administration) Act 1992*. Clergy superannuation entitlements are specified by Ordinance of the Synod of the Diocese. The introduction of STP will have no effect on the arrangements for clergy super. SDS will continue to pay and report all parish clergy super contributions as now and recover this cost as one component of the Parochial Cost Recovery (PCR) charge paid by each parish.

Fringe benefits provided to clergy that are exempt benefits under section 57 of the *Fringe Benefits Tax Assessment Act 1986* are not Reportable Fringe Benefits Amounts and should not be reported to the ATO, either through STP or otherwise.

### B. YOUR OPTIONS FOR REPORTING THROUGH STP

There are three options to report to the ATO through STP:

#### 1. Report through payroll or accounting software.

Parishes that currently use payroll software or a payroll module on their accounting software should check with the software supplier whether their particular version of the software has been updated and configured for STP. The current version of most accounting software (including Xero and MYOB) includes an STP-ready payroll module. However, older legacy systems (such as the older stand-alone versions of MYOB) are not STP-ready. If you are using payroll or accounting software that is not STP-ready you will need to:

- upgrade to the latest STP-ready version of that software, or
- Move to a new STP-ready software package (such as Xero).

## 2. Report through a free or low cost solution (if you have 4 or less employees)

If your parish has 4 or less employees and you don't already use or intend to acquire one of the STP-ready payroll or accounting software solutions, you have the option of using a free or low-cost (generally \$10 per month) STP solution. These services don't process your payroll. They are mobile or desktop apps or websites that enable you to enter certain payroll data from your pay run and submit a separate STP report to the ATO.

More information and a list of these solutions is available on the ATO website at: <https://www.ato.gov.au/business/single-touch-payroll/in-detail/low-cost-single-touch-payroll-solutions/>

## 3. Engage a third party, such as a registered tax agent or payroll service provider, to submit STP reports for you.

Engaging a third party service provider is unlikely to be an efficient solution for your parish unless that service provider also processes your payroll.

## Do we still need to report income tax (PAYG) on our parish business activity statement (BAS)?

Yes.

The obligations for lodgement of BAS and the payment of PAYG instalments are unchanged. In the future it is likely that information obtained by the ATO through STP reporting will be used to pre-fill parts of your parish's BAS.

## C. SUMMARY & ACTION

The information required to be submitted through STP is unchanged from what parishes currently provide to the ATO, that is -

For clergy -

- Taxable stipend
- Amount of tax withheld (PAYG)

For lay employees -

- Taxable stipend, salaries and wages
- Amount of tax withheld (PAYG)
- Super contributions

What will change is the manner and timing of reporting this information. Using STP you will report to the ATO online each time you run your payroll.

In order to report through STP you will need to use -

- STP-ready payroll or accounting software (such as Xero)
- One of the low cost STP solutions (if you have 4 or less employees)
- A registered tax agent or payroll service provider

If you will not be ready to start STP reporting using one of these methods by 30 September 2019 you will need to apply online to the ATO for a deferred start date.

Please remember: parishes should not report super for clergy.

## **Where can I get further information and assistance?**

If you would like more information about your STP obligations, there are ATO employer reporting guidelines at: <https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-employer-reporting-guidelines/>.

When using STP-ready payroll or accounting software it is very Important to ensure that the individual pay items (including any exempt fringe benefits and any stipend sacrifice amounts) are correctly set up for each member of staff who is a Religious Practitioner. Any errors here could result in these pay items being reported through STP as taxable allowances or reportable fringe benefits. Benkorp Management Services have published a couple of helpful articles outlining payroll set up in Xero, in particular one on Religious Practitioners and Single Touch Payroll available at: <https://news.benkorp.com/religious-practitioners-and-single-touch-payroll/>. Questions about how to configure other payroll or accounting software for STP are best directed to the software provider.

You may also seek assistance from the SDS contact person identified at the beginning of this circular.

### **STEVE LUCAS**

Senior Legal Counsel

22 May 2019